

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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SENATE BUDGET COMMITTEE CHAIRMAN SEEKS RETURN TO FISCAL DISCIPLINE Conrad: Long-Term Budget Outlook Worsened by Bush Tax Cut

Washington, DC - Senate Budget Committee Chairman Kent Conrad, D-ND, today said the sharp drop in the projected surplus – caused largely by the Bush tax cut – poses a serious threat to the nation’s long-term budget outlook and its ability to meet the retirement and health needs of the aging baby boom generation. Conrad’s comments came as the Senate Budget Committee heard testimony from economic and budget experts Robert Reischauer, Peter Orszag and Brian Wesbury.

Last week, the Congressional Budget Office (CBO) revised its ten-year budget outlook, reporting that \$4 trillion in projected surpluses has evaporated, with 42 percent of the drop caused by the Bush tax cut. Conrad said that while much of Washington is focused on the dramatic drop in this year’s surplus – plunging nearly \$400 billion according to the Bush Administration’s own projections – more attention should be paid to the worsening long-term budget outlook, its implications and how it can be reversed.

“The Bush Administration is setting us on a path to use \$1.1 trillion of Social Security and Medicare trust fund surpluses to pay for the tax cut and other government expenses,” said Conrad. “President Bush is breaking a bipartisan pledge to use the Social Security surpluses exclusively for debt reduction. This pledge was made so that the nation could be in a better financial position to provide for the retirement of the baby boom generation.”

The Bush Administration is now admitting it will be unable to pay down all available debt by 2008 – as it promised just a year ago. This fiscal reversal means that the government will still have \$2.8 trillion in publicly held debt in 2008.

With the first baby boomers retiring in just six years, Conrad is concerned the country doesn’t have much time to get its fiscal house back in order. “The financial challenges the nation faces now are fundamentally different from the budget crises of the 1980s because then we had time to recover,” explained Conrad.

“We must find a way to return fiscal discipline to the budget and restore the integrity of the Social Security and Medicare trust funds so that once this recession ends we can resume paying down our debt and be in a better position to make good on the government’s promises to the retiring baby boom generation,” said Conrad.

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